

TOWN OF MILLSBORO
AGREED-UPON PROCEDURES ON MUNICIPAL GRANTS
FOR THE YEAR ENDED JUNE 30, 2005

**TOWN OF MILLSBORO
INDEX
FOR THE YEAR ENDED JUNE 30, 2005**

| | <u>PAGES</u> |
|--|--------------|
| Independent Accountant's Report on Applying Agreed-Upon Procedures | 1 - 3 |
| Schedule of Municipal Grants | 4 |

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INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

Town of Millsboro
322 Wilson Highway
Millsboro, Delaware

We have performed the procedures enumerated below, which were agreed to by Town of Millsboro and the State of Delaware's Office of the Auditor of Accounts, Department of Homeland Security, and the Office of the State Treasurer, solely to assist you with respect to determining the Town's compliance with Delaware's applicable laws, regulations, financial reporting and the effectiveness of the internal control structure related to the municipal grant funds received for the year ended June 30, 2005 on Page 4. The Town of Millsboro's Management is responsible for compliance with those requirements. This agreed-upon procedures engagement was performed in accordance with *Government Auditing Standards* (2003) issued by the Comptroller General of the United States and the attestation standards established by the American Institute of Certified Public Accountants that have been incorporated by *Government Auditing Standards* (2003). The sufficiency of these procedures is solely the responsibility of the parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Our procedures and findings are as follows:

1. Document understanding of cash disbursement internal control structure over municipal street aid grant funds from discussion with management and report internal control weaknesses.

During completion of the program checklist, no internal control weaknesses were determined in the internal controls of the Town.

2. Complete the State of Delaware Auditor of Accounts municipal grants agreed-upon procedure program to determine the Town's compliance with applicable laws, regulations and financial reports related to municipal grant funds received during the year ended June 30, 2005. Detail any instances of noncompliance.

FINDING NO. 05-1 - During completion of the Town of Millsboro's program checklist for the municipal street aid grant, it was noted that their financial documents and transactions were administered in accordance with the applicable laws and regulations, and that their financial report was submitted timely to the Office of the State Treasurer, but the financial report was not accurately prepared or reviewed [30 Del. C. §5165(b)(2)]. The interest income earned on the municipal street aid funds was understated by \$ 6.00 on the annual report and the actual total expenditures were understated by \$ 6.00 on the annual report. The accurate preparation of the annual report is an important requirement of the grant.

RECOMMENDATION - The Town should more carefully prepare and review the amounts on the annual report to ensure an accurate presentation.

TOWN'S PLAN FOR CORRECTIVE ACTION:

"The Town concurs with the finding. In the future, the Town will ensure the report is more carefully reviewed before submission to the State Treasurer's Office."

FINDING NO. 05-2 - During completion of the Town of Millsboro's program checklist for the State Aid to Local Law Enforcement (SALLE), it was noted that an application submitted to the Department of Public Safety was late for a SALLE grant. The application submitted was required to be filed by January 31, 2005 [SALLE Manual, Chapter III]; however, the application was filed in February. The timely preparation and application of the financial reports is an important requirement of the grant. The delinquent filing of the application could prevent the Town from receiving funds in a future year.

RECOMMENDATION - The Town should establish a written schedule to ensure the SALLE application submitted to the Department of Public Safety is submitted on a timely basis.

TOWN'S PLAN FOR CORRECTIVE ACTION:

"The Town concurs with the finding. The Town will issue a policy regarding the application deadline for SALLE grants."

FINDING NO. 05-3 - During completion of the Town of Millsboro's program checklist for the Emergency Illegal Drug Enforcement (EIDE), it was noted that the application submitted to the Department of Public Safety was late for the grant. The application submitted was required to be filed by January 31, 2005 [EIDE Manual, Chapter III]; however, the application was filed in February. The timely preparation and application of the financial reports is an important requirement of the grant. The delinquent filing of the application could prevent the Town from receiving funds in a future year.

RECOMMENDATION - The Town should establish a written schedule to ensure the application submitted to the Department of Public Safety is submitted on a timely basis.

TOWN'S PLAN FOR CORRECTIVE ACTION:

"The Town concurs with the finding. The Town will issue a policy regarding the application deadline for EIDE grants."

3. Note all situations or transactions that could be indicative of fraud, illegal acts, material errors, defalcations, irregularities or gross violations of the grant agreements and abuse or misuse of State funds.

During completion of the program checklist, no fraud, illegal acts or gross violations of grant agreements and no abuse or misuse of state funds were noted.

4. Prepare the Town's Schedule of Municipal Grants received during the year ended June 30, 2005.

See Page 4.

We were not engaged to, and did not, conduct an examination, the objective of which would be the expression of an opinion on the Town's compliance with Delaware's laws and regulations, financial reporting and the effectiveness of the internal control structure related to municipal grant funds. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information of the Town of Millsboro's Management and Council Members, Department of Homeland Security, Office of the State Treasurer and Office of Auditor of Accounts, and is not intended to be and should not be used by anyone other than those specified parties. However, under 29 Del. C. §10002(d), this report is a public record and its distribution is not limited.

Jefferson, Ulan, Doane & Starnes, P.A.

Georgetown, Delaware
January 23, 2006

**TOWN OF MILLSBORO
SCHEDULE OF MUNICIPAL GRANTS
FOR THE YEAR ENDED JUNE 30, 2005**

- 4 -

| <u>Grants</u> | <u>Amounts Received</u> |
|------------------------------------|-----------------------------|
| Municipal Street Aid | \$ 76,061.07 |
| Police Pension | 46,234.55 |
| State Aid to Local Law Enforcement | 8,051.06 |
| Emergency Illegal Drug Enforcement | 5,358.67 |

See independent accountant's report on applying agreed-upon procedures.